

IPPR Budget Review -2014-

Rowland Brown

EAN Chairperson
IPPR Associate Researcher

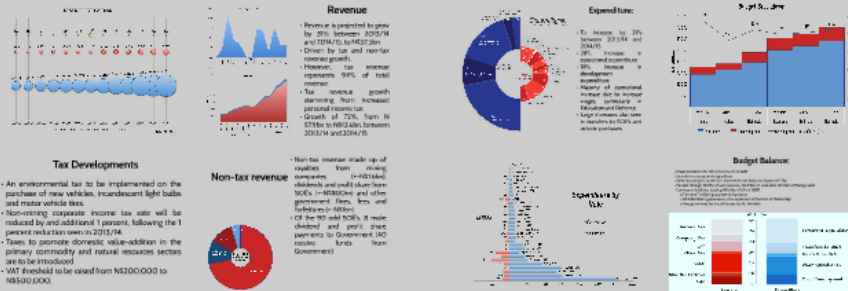


17/01/2014

Budgeting is a balancing act



The Question is: Does this lead to development?



Recommendations

Complete overhaul of the budget and budget process

- Introduce genuine 3-year MTEF budgets
- Ground up budgeting every 3 or 6 years
- Minimise additional budgets (5%)
- Introduce regular audits of vehicle, furniture and other assets
- Ensure proper analysis and appraisal of projects and programmes
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- Align budget cycles with development plan cycles
- Align budget expenditure with NDP priorities
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- Focus on returns on expenditure
- Develop watertight indicators
- Introduce M&E on results (not just expenditure)

Final Thoughts

The budget needs to become the powerful development tool that it can, and should be, not for us, the economic and political commentators, but for the man on the street, in the village and on the farm. We need to ask whether the priorities appearing in the budget are in line with the development plans of the country, the priorities and wishes of the masses, and whether the allocations are acceptable to the moral conscious of the country. And if not, we need to affect suitable change.

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Budget Implications

Macroeconomic impact

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- Mainly wages and construction activities
- Positive for construction sector
- Positive for wholesale and retail trade
- Positive for short term growth
- Potentially positive for future growth (large projects)
- Leakages to bear in mind
- BOP concerns
- Debt sustainability
- PRO-CYCLICAL

Underlying issues

- Political priorities
 - Checks and balances
- General budgeting process
 - "MTEF"
 - Incremental budgeting
 - Project appraisal
 - Audited requests v. requirements
 - Timing
 - Execution goals
- Aligning with NDP's
 - Prioritization
 - M&E

Priorities and opportunity cost

Housing for the masses vs the political elite

Category	2013/14	2014/15	Total
Construction	2,114	2,114	4,228
Other	1,114	1,114	2,228
Total	3,228	3,228	6,456

Health vs Defence

N\$6.1bn

N\$6.6bn

School construction vs vehicle purchases

N\$771m

N\$984m

Veterans vs pensioners

N\$1.5bn

N\$1.4bn

Personnel expenditure vs. Other

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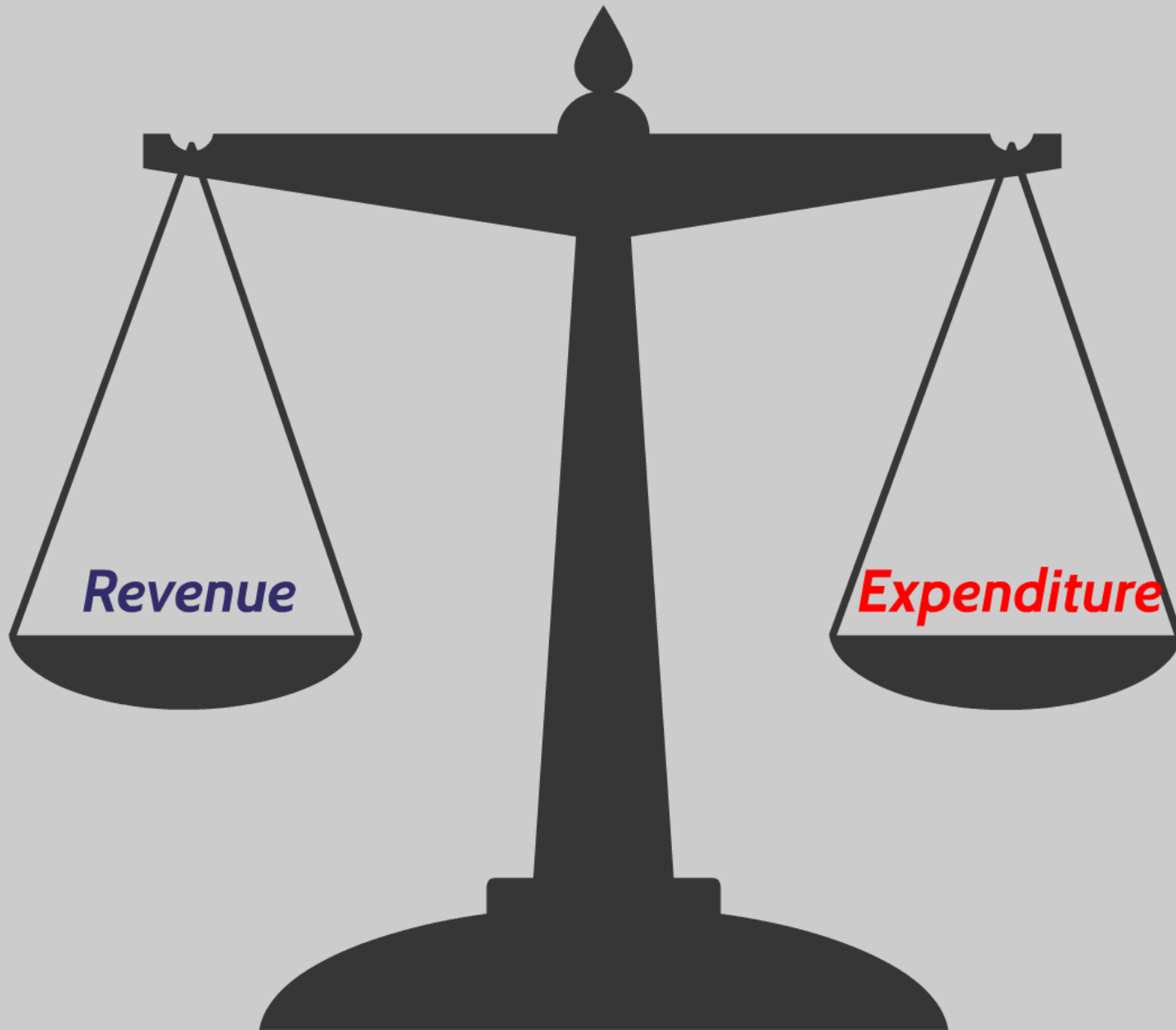


Institute for Public Policy Research

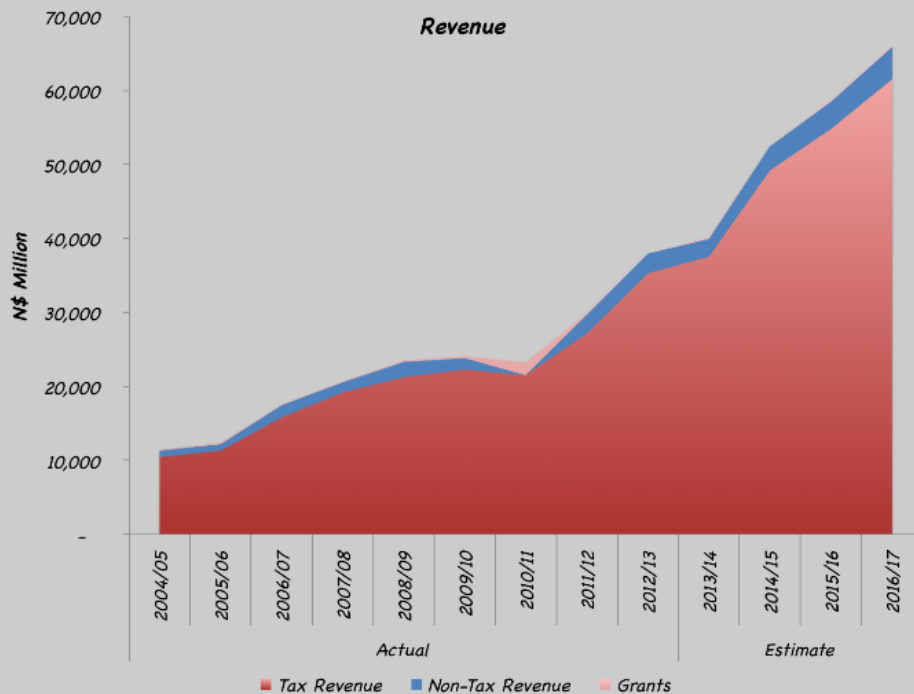
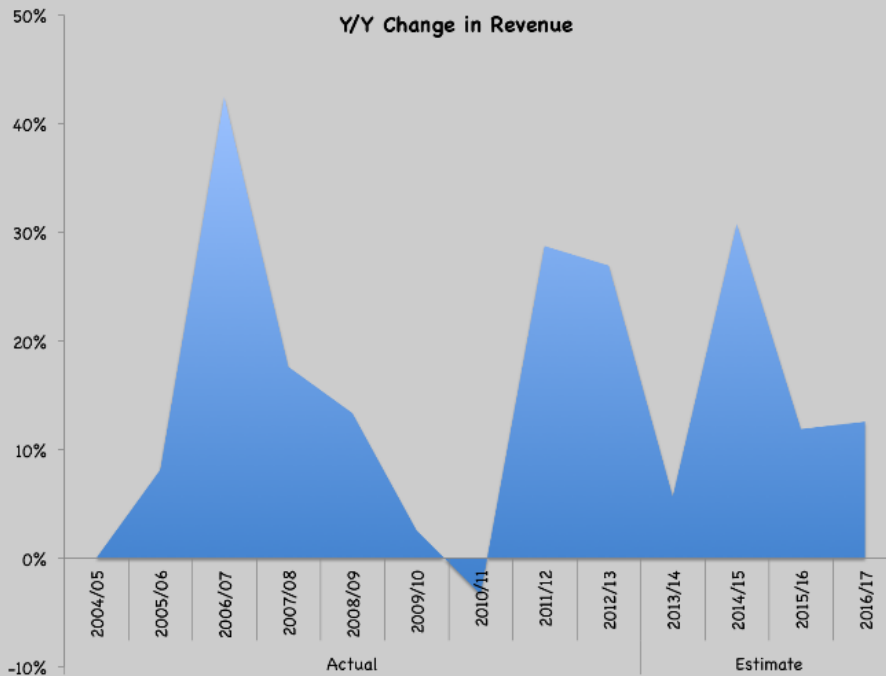


27/03/2014

Budgeting is a balancing act

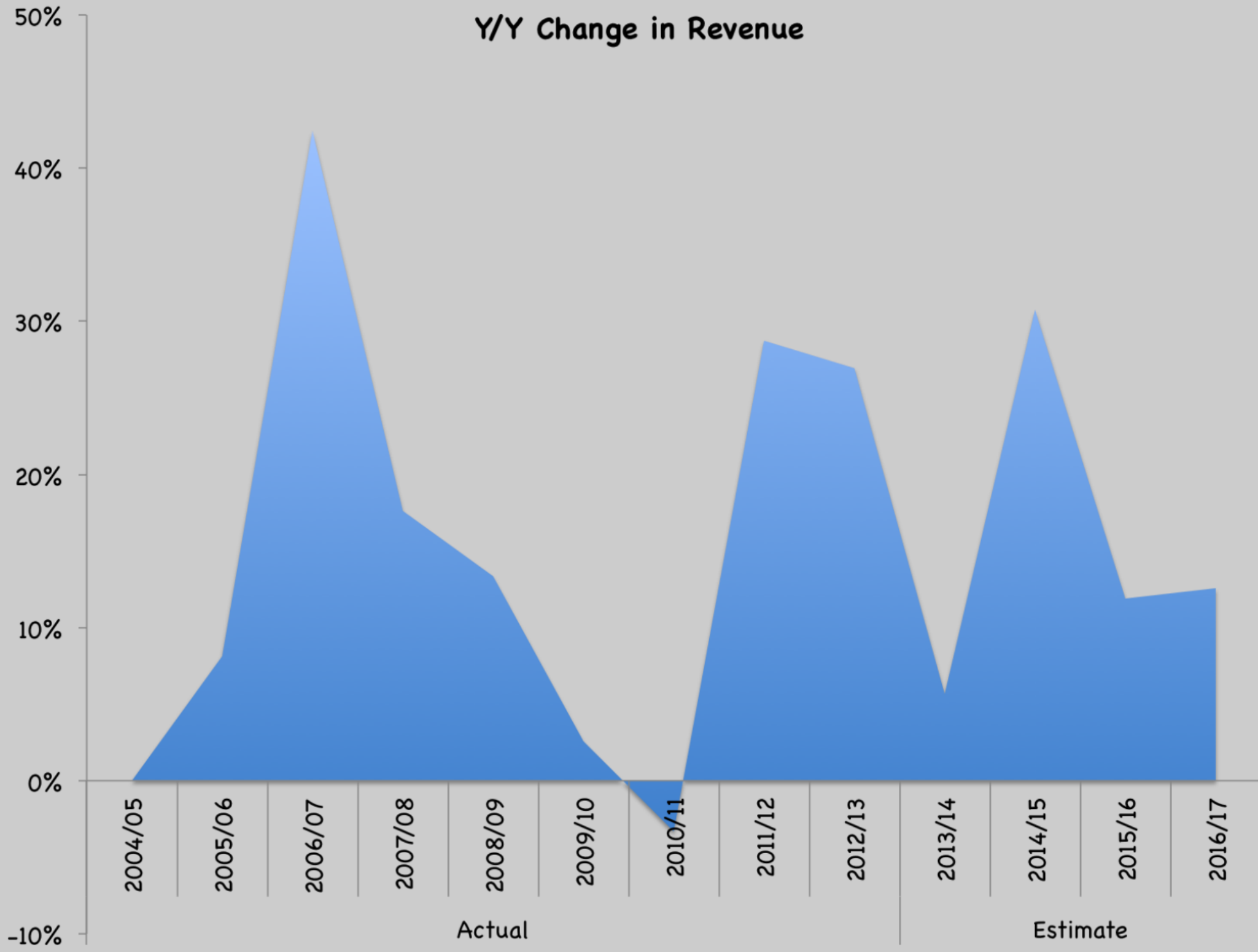


Revenue

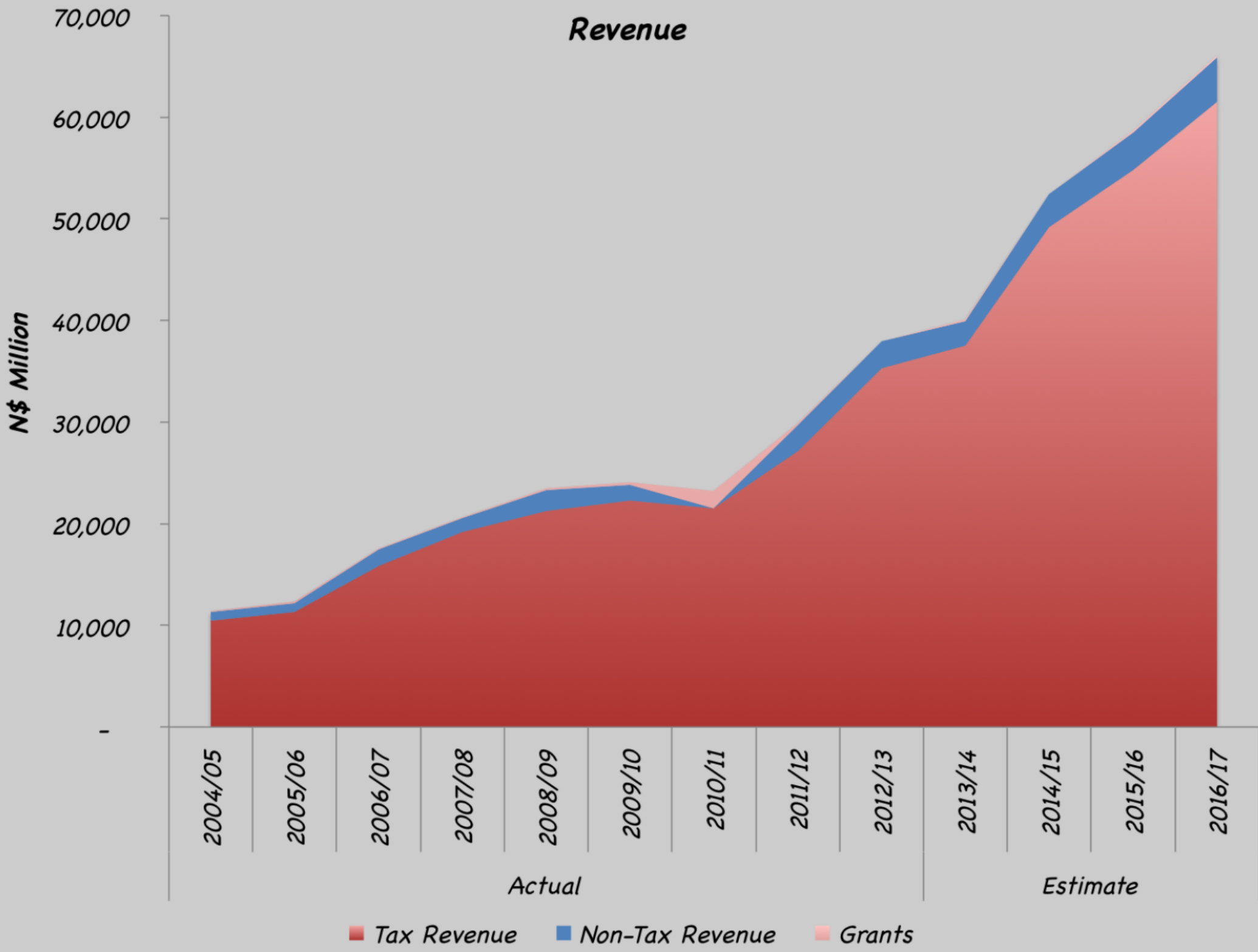


- Revenue is projected to grow by 31% between 2013/14 and 2014/15, to N\$52.5bn.
- Driven by tax and non-tax revenue growth.
- However, tax revenue represents 94% of total revenue.
- Tax revenue growth stemming from increased personal income tax.
- Growth of 72%, from N \$7.9bn to N\$13.6bn, between 2013/14 and 2014/15

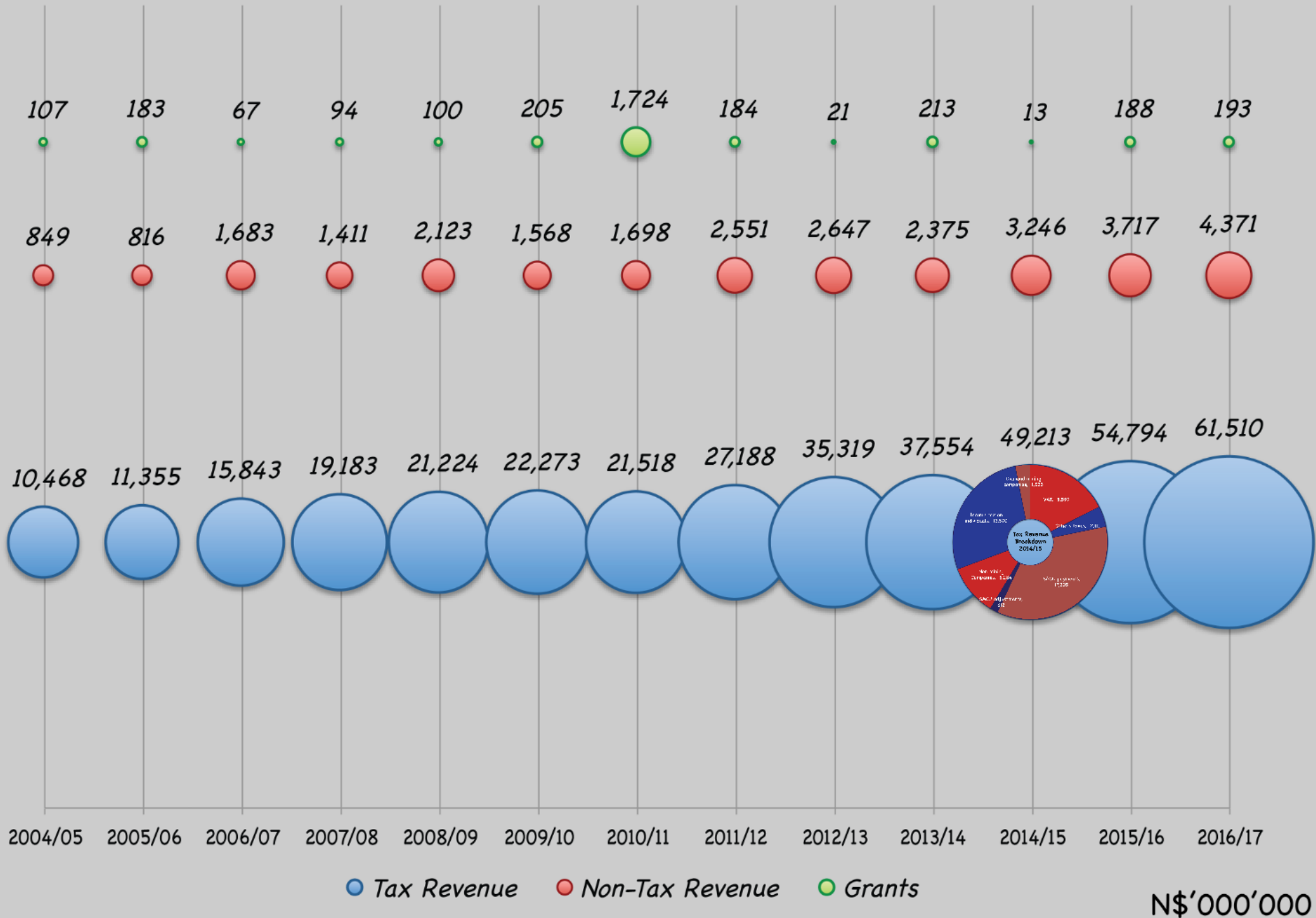
Y/Y Change in Revenue

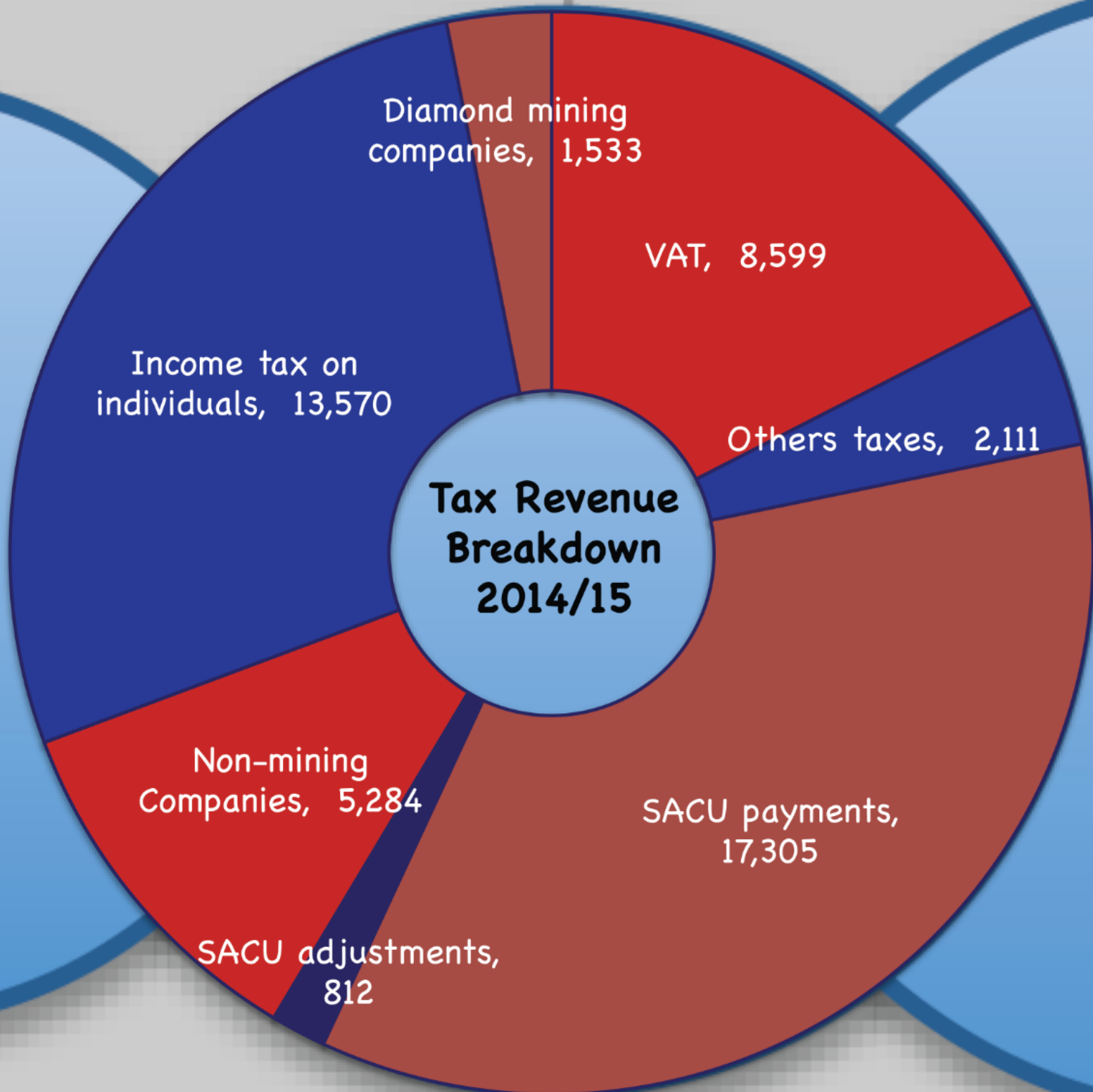


Revenue



REVENUE BREAKDOWN





**Tax Revenue
Breakdown
2014/15**

Diamond mining
companies, 1,533

VAT, 8,599

Others taxes, 2,111

Income tax on
individuals, 13,570

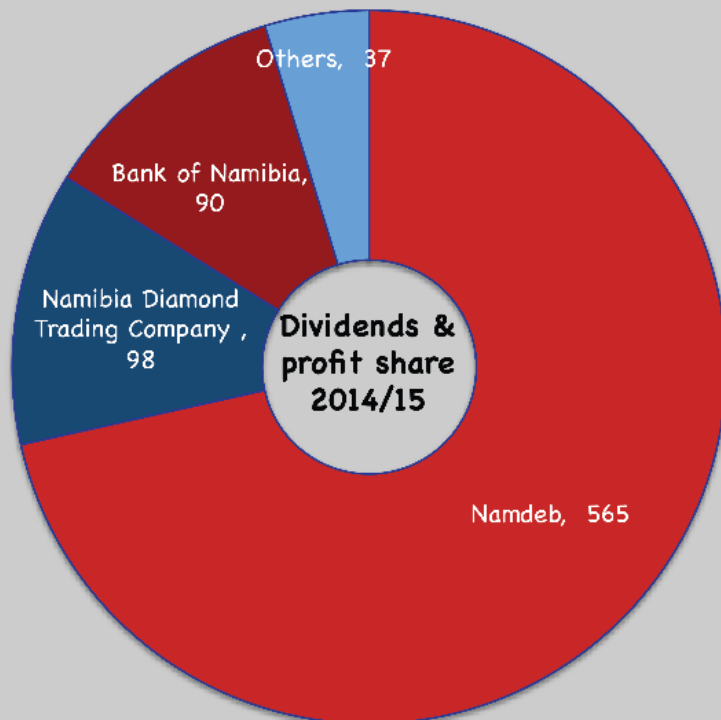
Non-mining
Companies, 5,284

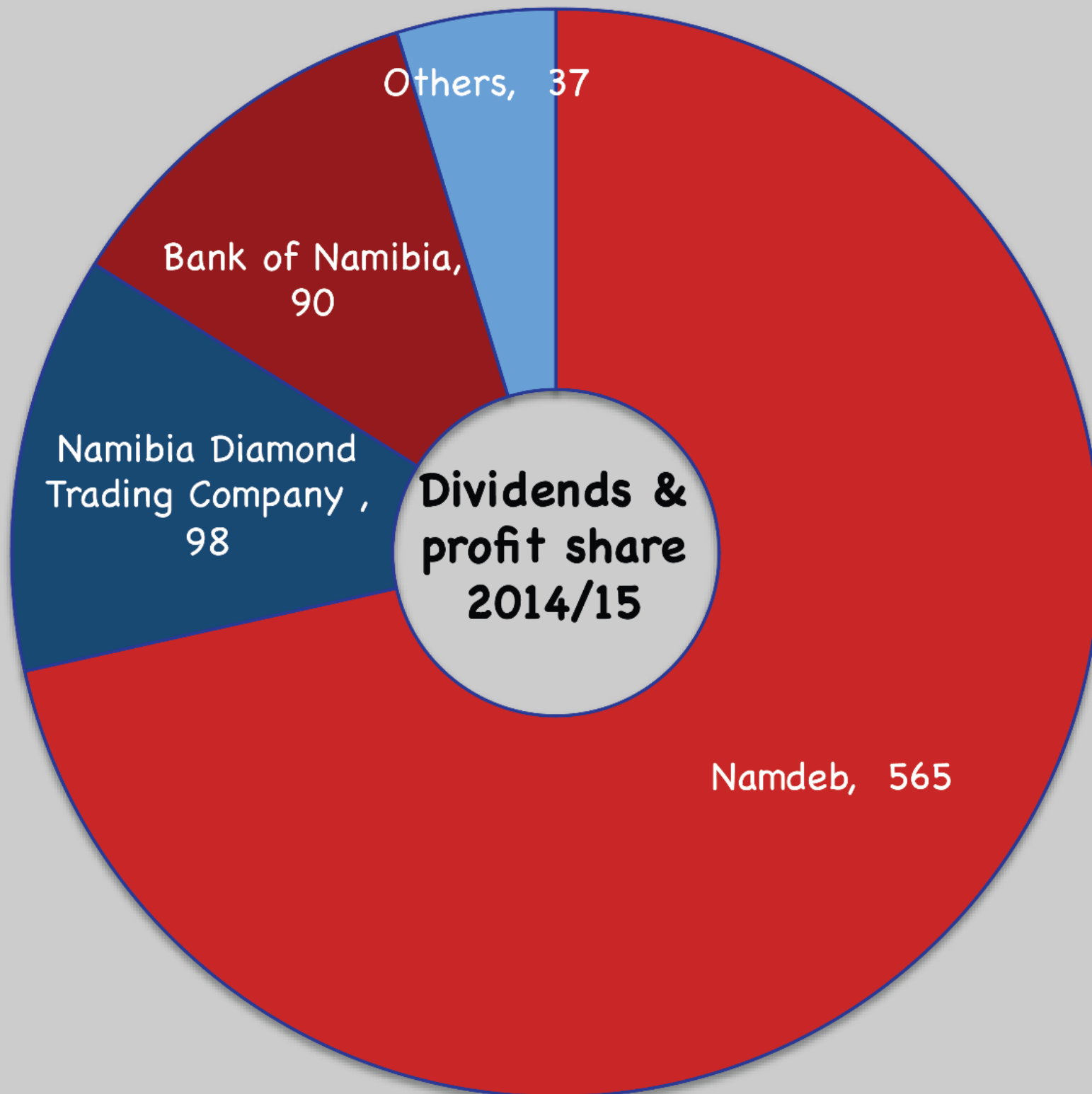
SACU payments,
17,305

SACU adjustments,
812

Non-tax revenue

- Non-tax revenue made up of royalties from mining companies (+-N\$1.6bn), dividends and profit share from SOE's (+-N\$800m) and other government fines, fees and forfeitures (+-N\$1bn)
- Of the 90 odd SOE's, 8 make dividend and profit share payments to Government (40 receive funds from Government)

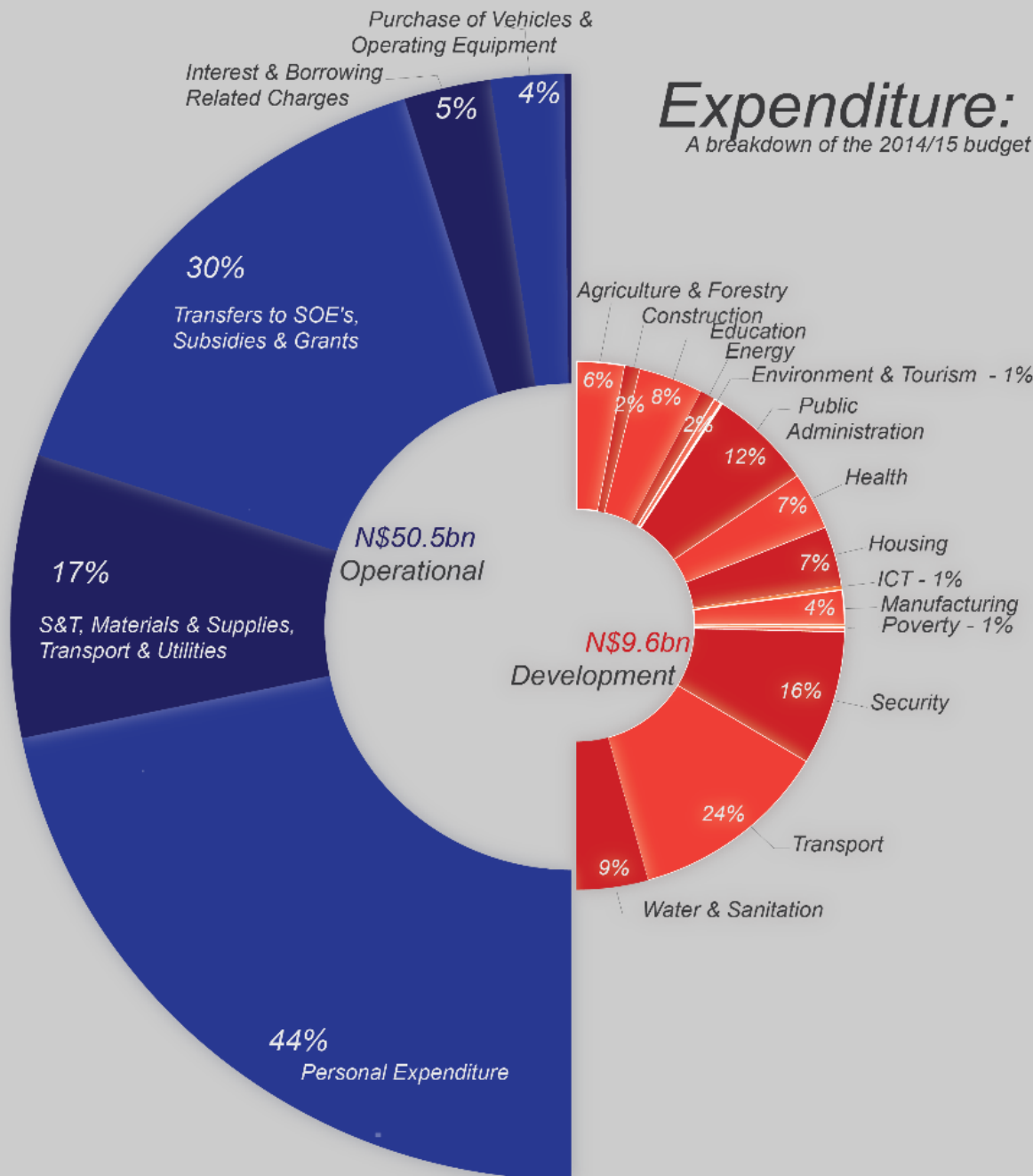




Tax Developments

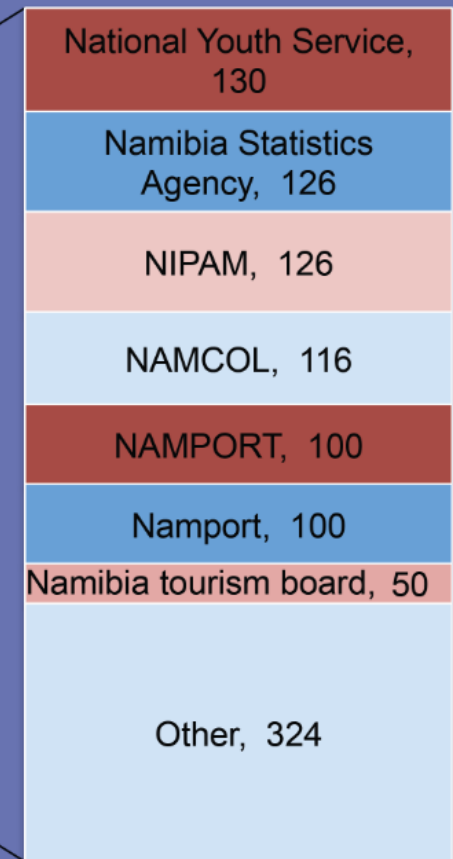
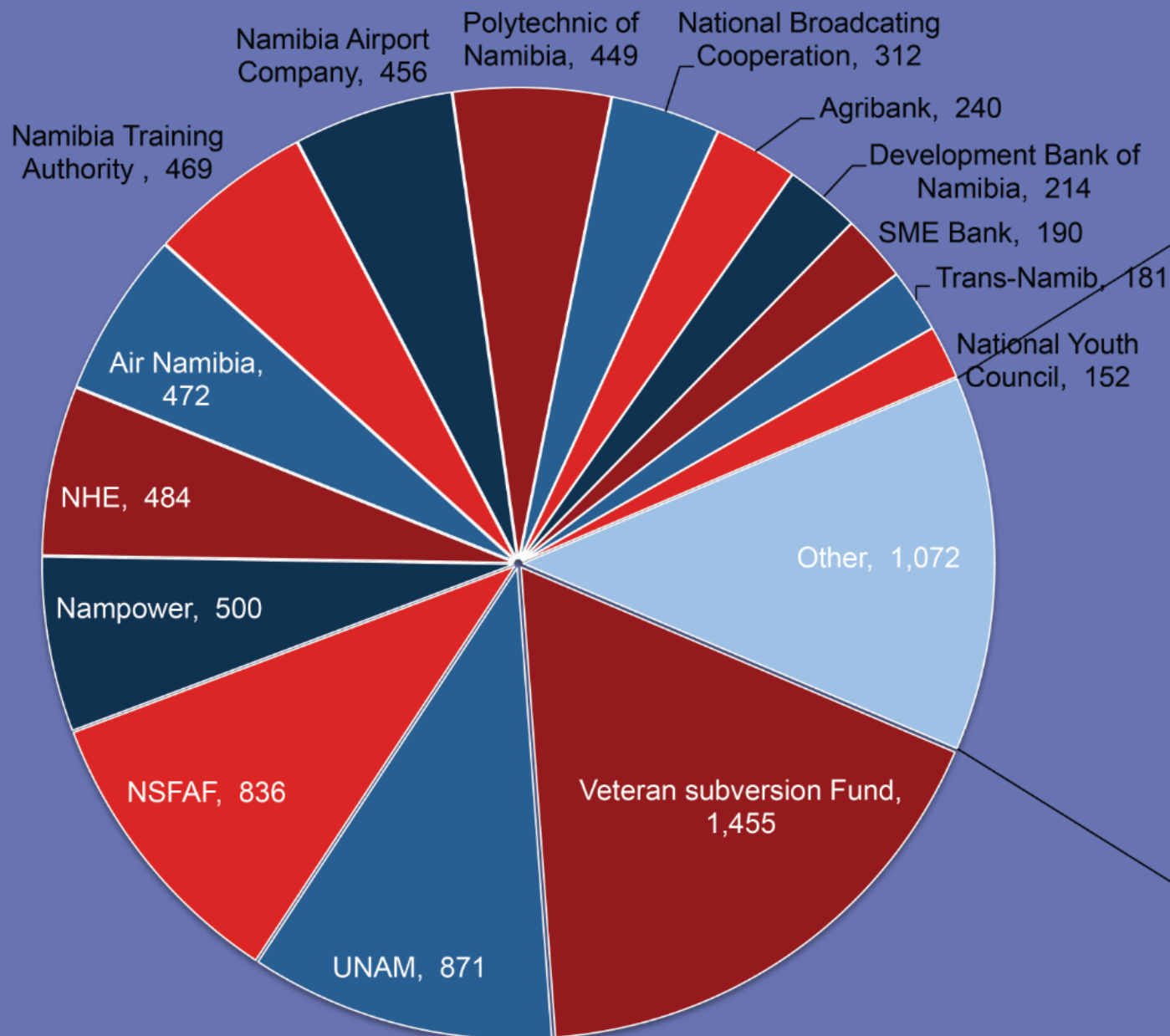
- An environmental tax to be implemented on the purchase of new vehicles, incandescent light bulbs and motor vehicle tires.
- Non-mining corporate income tax rate will be reduced by an additional 1 percent, following the 1 percent reduction seen in 2013/14.
- Taxes to promote domestic value-addition in the primary commodity and natural resources sectors are to be introduced
- VAT threshold to be raised from N\$200,000 to N\$500,000.

Expenditure:



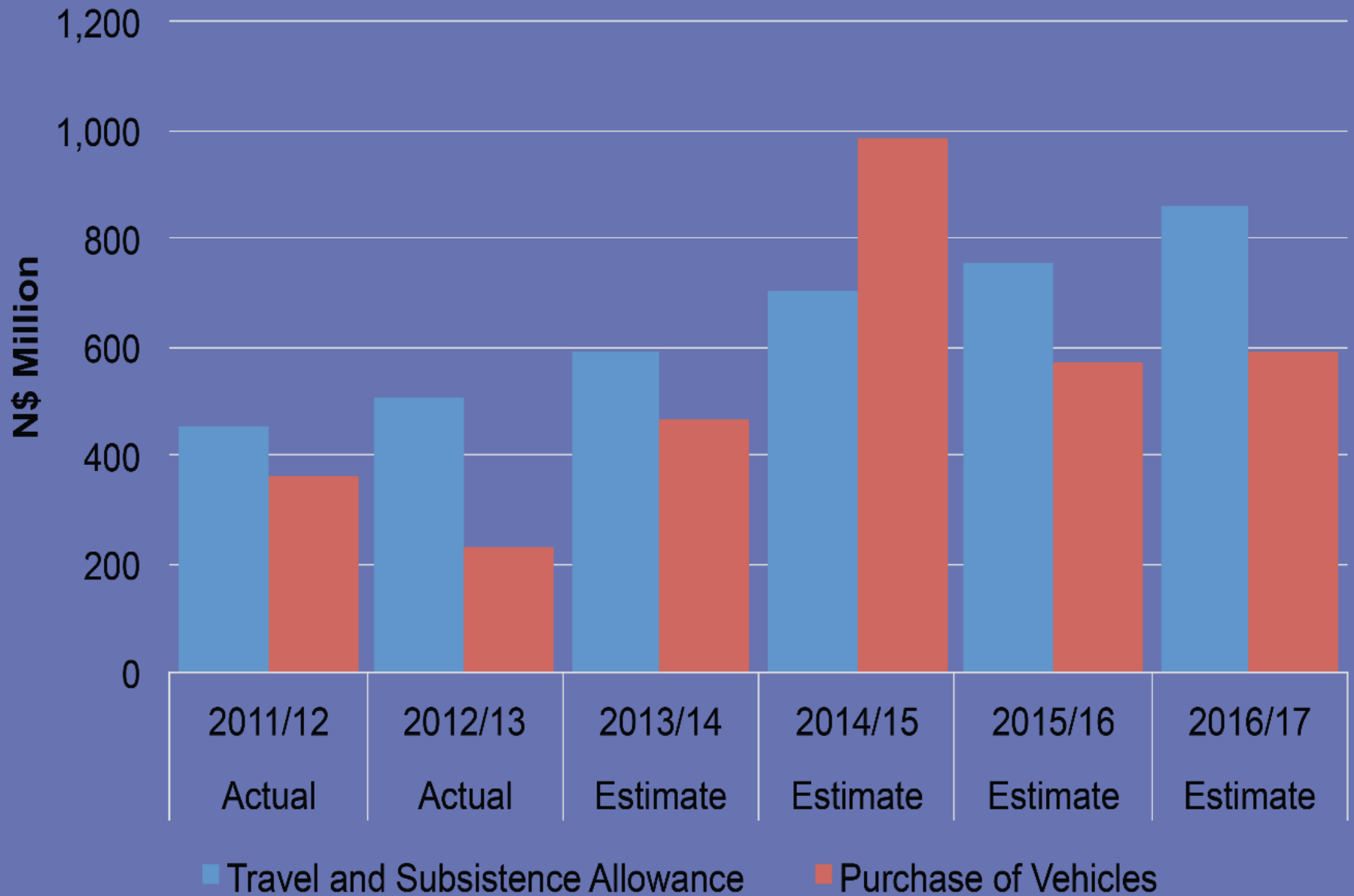
- To increase by 21% between 2013/14 and 2014/15
- 28% increase in operational expenditure
- 18% increase in development expenditure
- Majority of operational increase due to increase wages, particularly in Education and Defence
- Large increases also seen in transfers to SOE's and vehicle purchases

Transfers to SOE's 2014/15

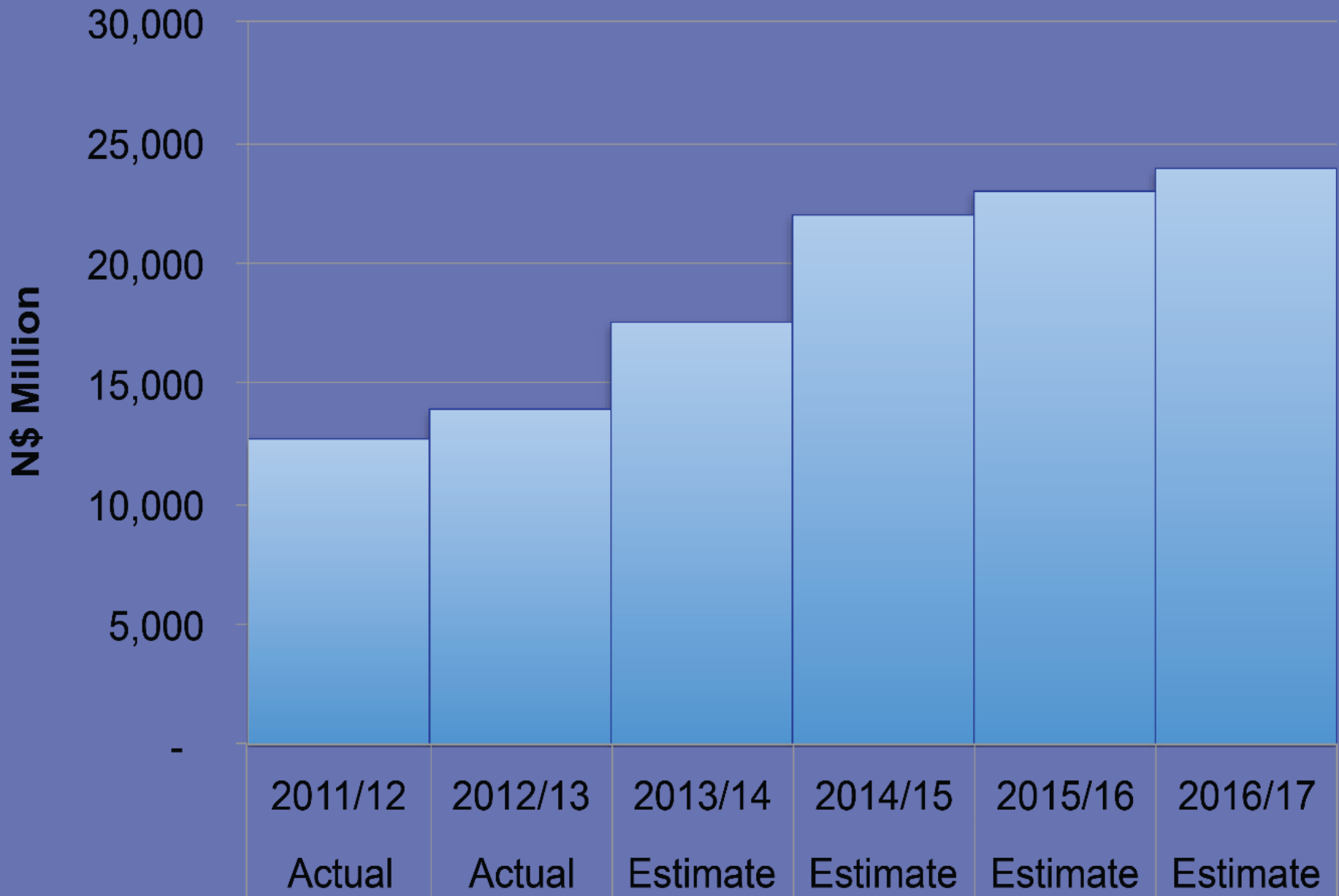


N\$ Millions

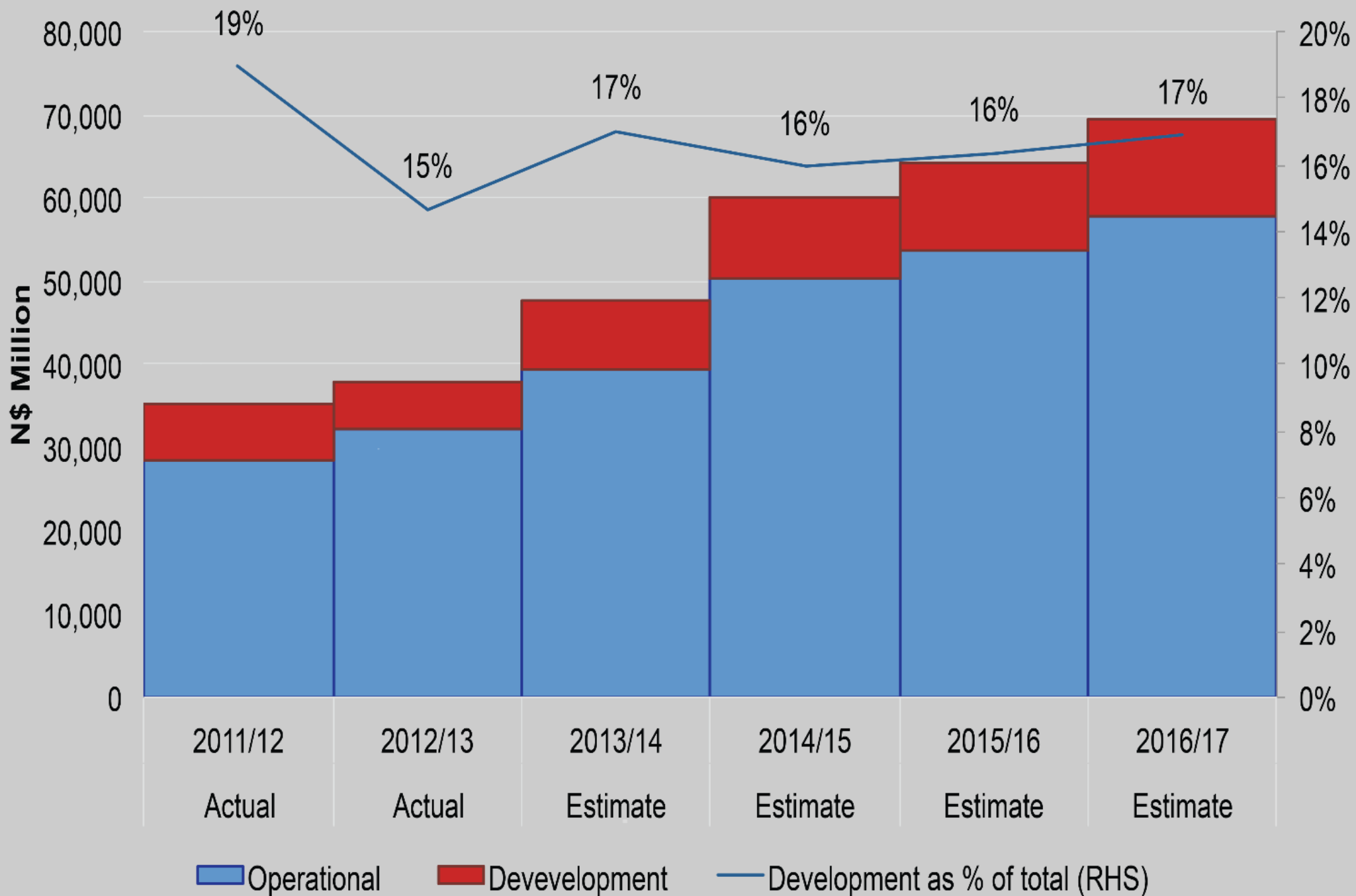
S&T and Vehicle Purchases



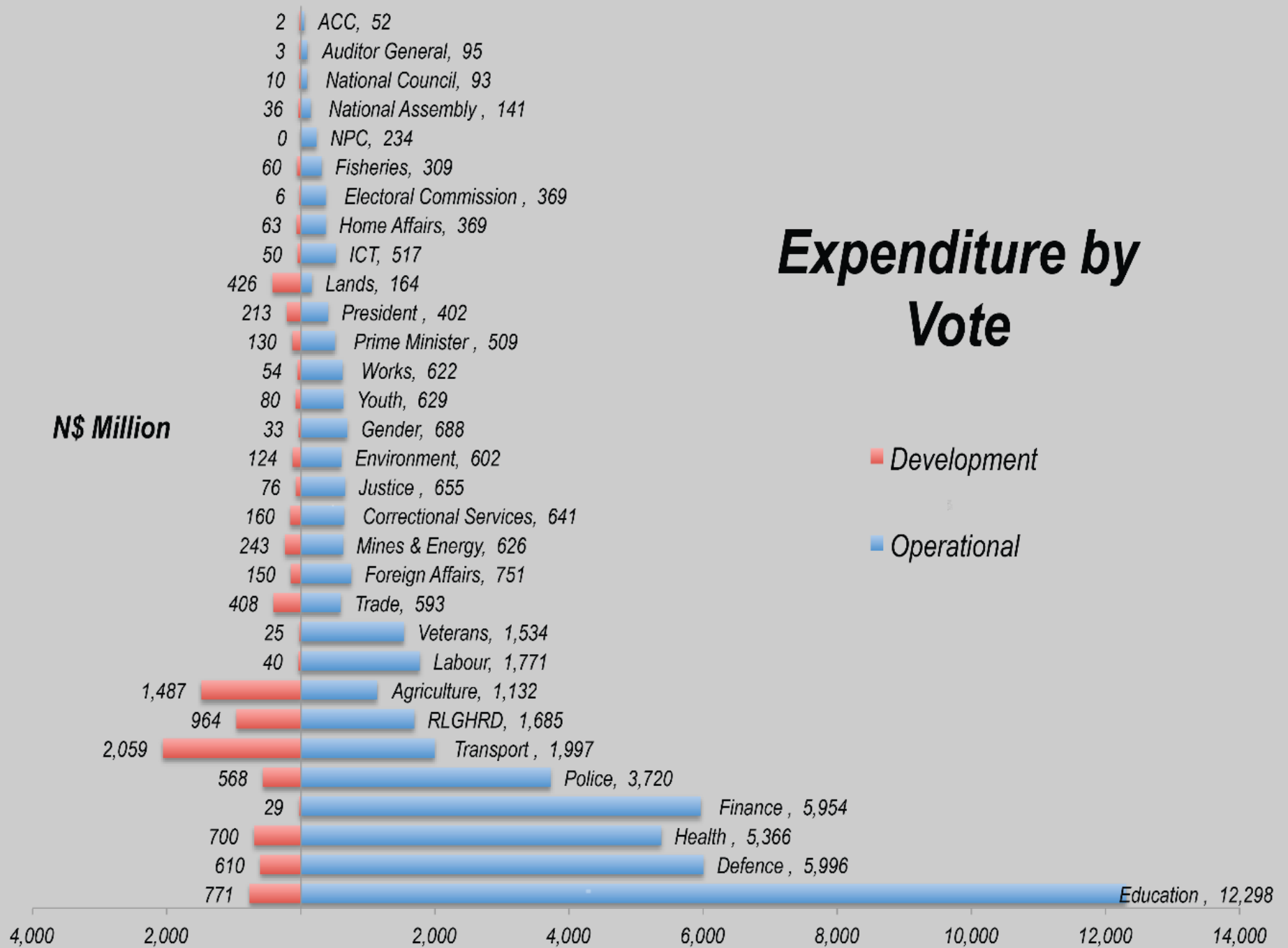
Personnel Expenditure



Budget Breakdown



Expenditure by Vote



Vote 1: President

- Construction of Residence: N\$35.7m
- State Security Infrastructure: T.C. N\$1.3bn; 2014/15: N\$180m

Vote 2: Prime Minister

- Construction of the Second Office of the Prime Minister: N\$106m
- Renovation of Old State House Residence: N\$16m

Vote 3: National Assembly

- Construction of a New Parliament Building: T.C.: N\$638m; 2014/15: N\$25m

Vote 5: Home Affairs and Immigration

- N\$63m for construction of regional offices and border posts

Vote 6: Police

- N\$277m for the purchase of vehicles (up from N\$47m in the previous financial year)
- N\$568m for the construction and upgrading of regional offices

Vote 8: Defence

- Second largest vote by total budget allocation
- Over the MTEF the vote will receive N\$21.4bn
- N\$6.6bn for the 2014/15 financial year
- N\$610m is designated for development activities
- Shrouded in secrecy
- More than 50 percent of the development allocation is targeted at the “Research and Development” project: 2014/15: N\$377m; T.C.: N\$6.7bn.

Vote 9: Finance

- Transfers to State Owned Enterprises: N\$2.5bn
- Foreign and domestic interest rate payments: N\$2.5bn

Vote 10: Education:

- Largest share of the budget: N\$42.1bn over MTEF; N\$13.1bn in 2014/15
- N\$7.7bn (up N\$1.2bn from the previous financial year as a result of salary regrading) covers personnel costs

- 46% of expenditure goes to primary education; 25% to secondary; and 18% to tertiary
- N\$770m for school construction, upgrading and renovation.

Vote 13: Health and Social Services

- Third largest allocation
- N\$6.1bn in the 2014/15 financial year

Vote 14: Labour and Welfare

- N\$1.4bn for social pensions

Vote 15: Mines and Energy

- N\$4.3bn over the MTEF for Kudu Gas-to-Power project
- N\$145m for rural electrification

Vote 17: Regional and Local Government, Housing and Rural Development

- N\$2.6bn in the 2014/15 financial year
- The bulk of this allocation is transferred to SOEs for the mass housing scheme
- N\$964m to a large number of small projects for the construction of in various villages, towns and cities

Vote 20: Agriculture, Water and Forestry

- Construction of Large Dams, Desalination and Provision of Water to larger Settlements: N\$581m
- Green Scheme: N\$217m
- Rural Water Supply Coverage (Rural Secondary Pipeline Construction): N\$143m

Vote 24: Transport

- Transfers to SOEs: N\$1.3bn
- Expenditure on vehicles: N\$345m
- Railway Network Upgrading, TR 14/2: Gobabis - Otjinene Road Upgrading to Bitumen, Upgrading of Civil Aviation Infrastructure, Road Upgrading to Bitumen Standard MR 125: Liselo - TR8/6 Linyanti - Singalamwe - Kongola, and Northern Railway Line Extension.

Vote 25: Lands and Resettlement

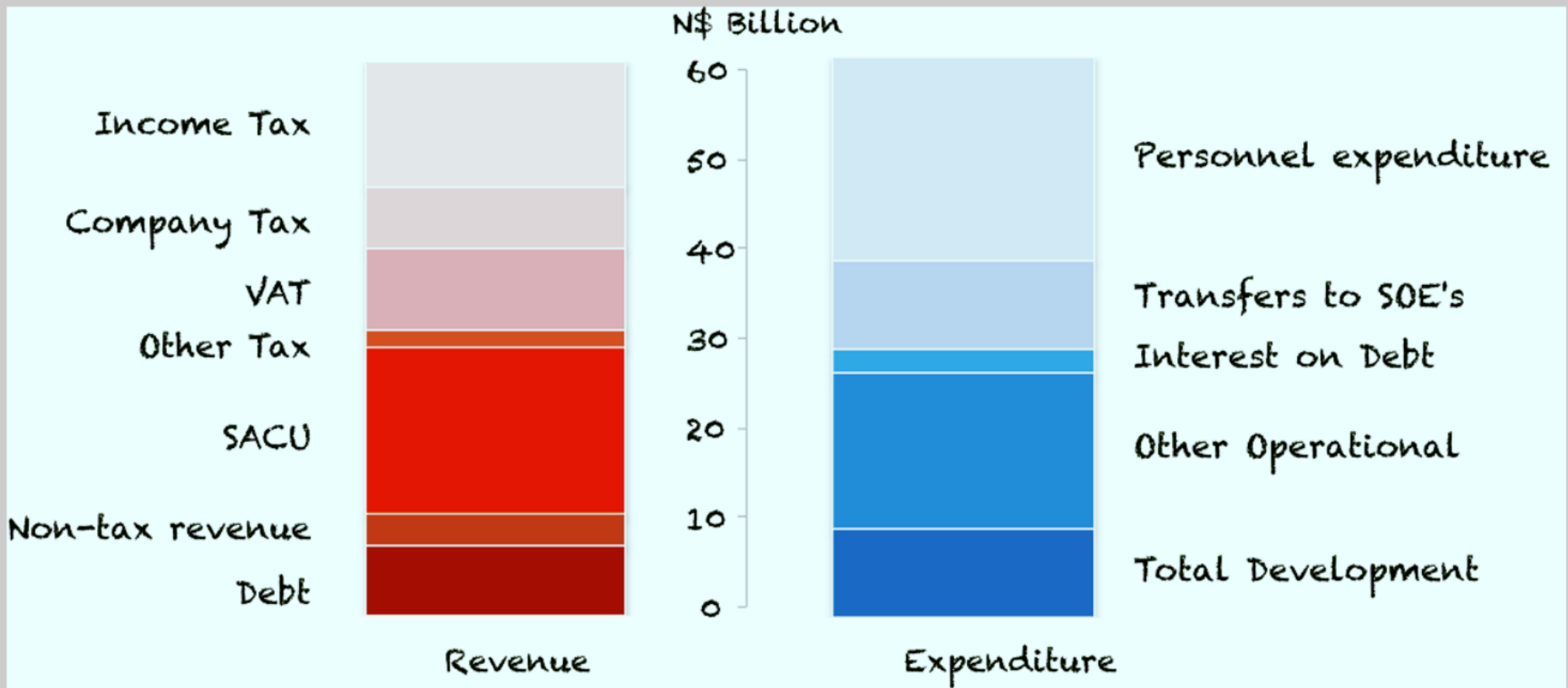
- Land Purchase Programme: N\$370m in 2014/15; N\$1.6bn over the MTEF

Vote 31: Veterans Affairs

- Veteran Subvention Fund: N\$1.5bn in 2014/15; N\$2.8bn over the MTEF.

Budget Balance:

- Projected deficit for 2014/15 of 5.4% of GDP
- Growth in revenue and expenditure
- Debt financing for 2014/15 is expected to be fairly moderate: N\$7.7bn
- Funded through: N\$2bn of cash reserves, N\$4.9bn of local debt, N\$1.5bn of foreign debt
- Contingent liabilities totaling N\$5.9bn (4.5% of GDP)
 - o Euro 6.07 million guarantee to Nampost
 - o N\$2.89 billion guarantee for the expansion of the Port of Walvis Bay
 - o Two guarantees for aircraft leases for Air Namibia.



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Priorities and opportunity cost

Housing for the masses vs the political elite



N\$'000'000	2014/15	Total Cost
Presidents Residence	\$ 33	\$ 36
Regional Residences	\$ 180	\$ 1,300
PM Office	\$ 106	\$ 811
New Parliament	\$ 25	\$ 638
Total	\$ 344	\$ 2,685



N\$'000'000	2014/15	Total Cost
NHE	\$ 220	\$ 440
Build Together	\$ 264	\$ 1,274
Total	\$ 484	\$ 1,714

Health vs Defence



N\$6.1bn



N\$6.6bn

School construction vs vehicle purchases



N\$771m



N\$984m

Veterans vs. pensioners

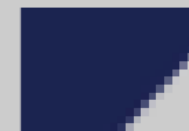


N\$1.5bn



N\$1.4bn

Personnel expenditure vs. Other



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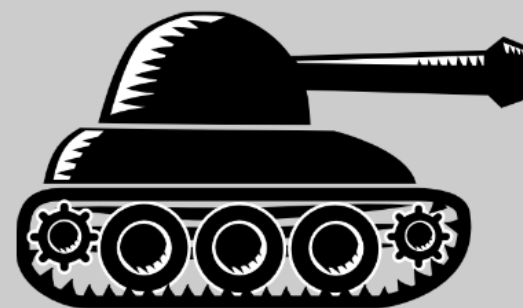


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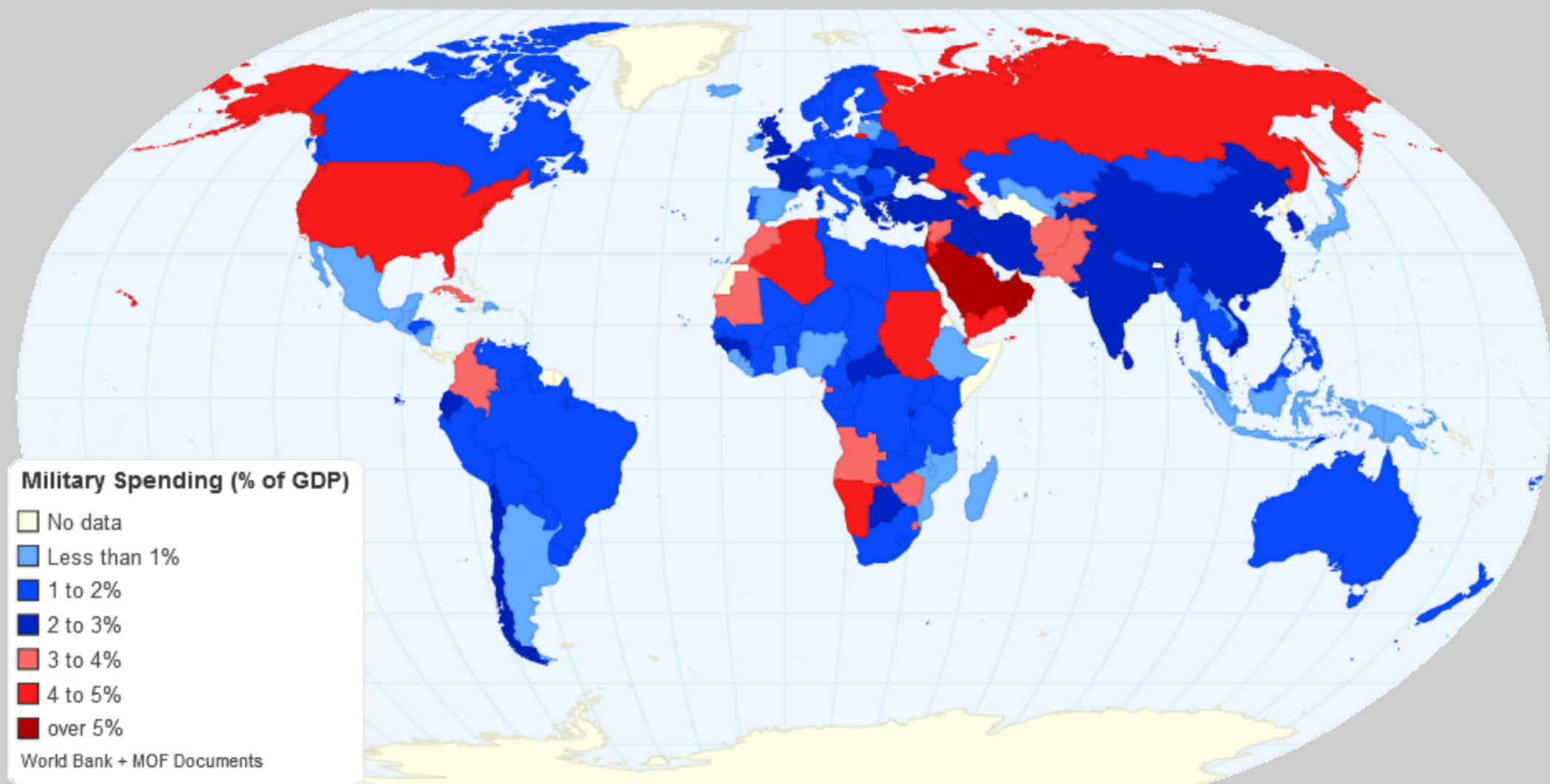
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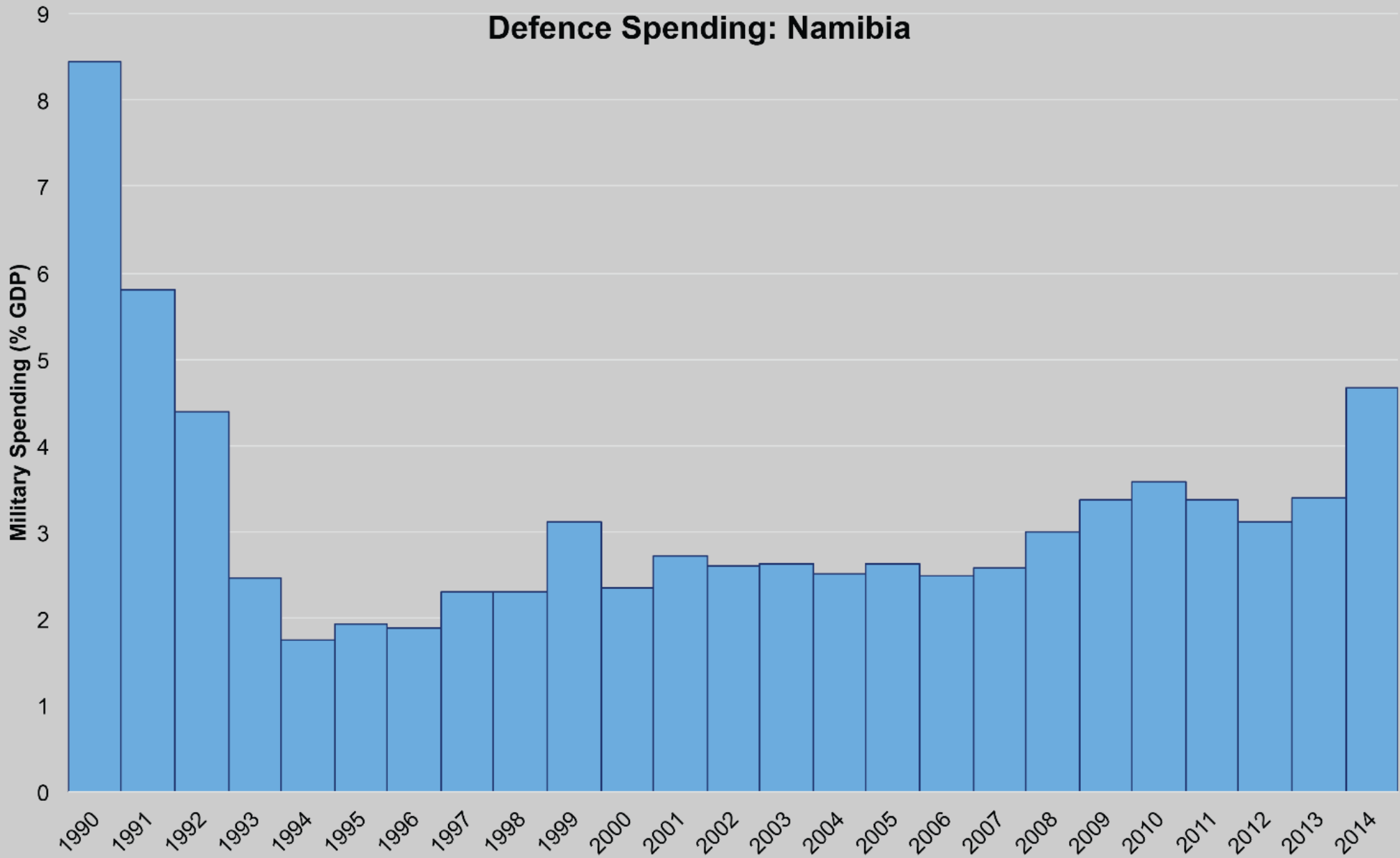
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Defence Spending: Namibia



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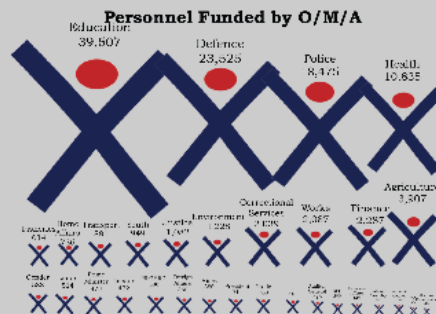
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Veterans vs. pensioners



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Personnel expenditure vs. Other



Personnel Funded by O/M/A

Education

39,507

Defence

23,525

Police

18,475

Health

10,835

Agriculture

3,907

Fisheries

614

Home Affairs

736

Transport

881

Youth

949

Justice

1,082

Environment

1,228

Correctional Services

2,039

Works

2,087

Finance

2,287

Gender

588

Lands

514

Prime Minister

473

Labour

472

RLGHRD

396

Foreign Affairs

360

Mines

350

President

311

Trade

289

ICT

248

Auditor General

219

NPC

203

Veterans Affairs

149

National Assembly

148

National Council

148

ACC

70

Electoral Commission

46

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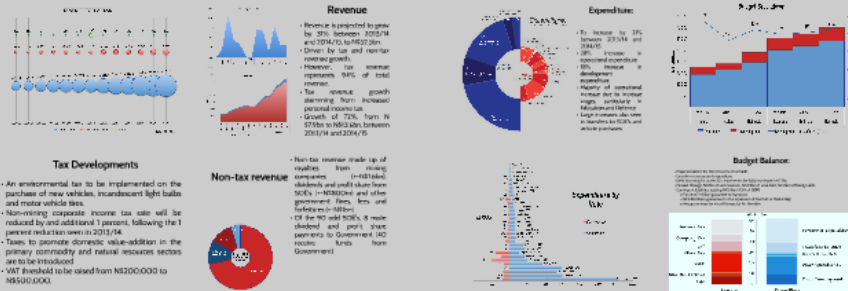


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